GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2517
ANSWERED ON:18.08.2006
BALANCE OF PAYMENTS QUESTION .
Deora Shri Milind Murli

Will the Minister of FINANCE be pleased to state:

(a) Whether India`s balance of payments posted a surplus in January-March 2006 against a deficit in October-December, 2005;

(b) if so, the details of factors that contributed to such positive performance in the economy;

(c) the broad policy followed by India in this regard; and

(d) the steps taken to consistently improve the balance of payment position of the economy?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI P.K. BANSAL)

(a) As per the data released by the RBI, there was a surplus of US $ 13.2 billion in the overall balance in the Balance of Payments in January-March 2006 as against a deficit of US $ 4.7 billion in October-December 2005.

(b) There was a current account surplus during January - March 2006 at a level of US $ 1.8 billion as compared to a deficit of US $ 3.8 billion in October-December 2005. The capital account (net) during January-March 2006 improved to a surplus of US $ 11.4 billion from a deficit of US $ 0.8 billion during October-December 2005.

(c) and (d): External sector policies are aimed at maximizing the benefits of increased globalisation by facilitating the smooth flow of goods, services, capital and technology, and maintaining the Current Account Deficit at a sustainable level consistent with the needs of development. The steps taken by the Government in this regard include: establishment of a liberal and globally competitive trade regime through progressive reduction in peak customs duties on non-agricultural products and removal of trade barriers; maintaining an appropriate exchange rate regime; management of foreign exchange reserves that is calibrated to the external as well as overall macroeconomic situation; liberal policies for Foreign Direct Investment, Foreign Institutional Investment and External Commercial Borrowing. These measures have led to significant improvement in country`s Balance of Payments, as reflected in the country`s foreign exchange reserves.